



August 15, 2002

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station, 2nd Floor
Boston, Massachusetts 02110

RE: DISTRIBUTED GENERATION, D.T.E. 02-38

Dear Secretary Cottrell;

On June 13, 2002, the Department of Telecommunications and Energy issued an Order opening a Notice of Inquiry into Distributed Generation (DG). The initial phase of the investigation focuses on a number of key issues that raise important questions.

- ?? interconnections standards
- ?? standby or back up rates
- ?? the role of distributed generation in utility system planning
- ?? other benefits of distributed generation (load response, price mitigation regarding congestion and the impact of locational marginal pricing)

A.I.M. commends the Department for opening this important investigation and the acknowledgment of the importance of distributed generation as a resource option in the newly restructured electric industry. Recognizing that distributed generation was not part of the original design of the utility companies in Massachusetts, it is important that careful consideration be taken in recommending changes. However, as the transmission and distribution systems require changes, the approach of utility companies also requires adjustments to ensure that rates are fair and equitable to all customer groups, and the review process by the utility companies does not become an impediment.

Consideration must also be given to the way these projects are currently permitted through DEP, in order to avoid difficult, confusing and complex and constantly changing requirements. In new DG installations, the equipment is state of the art, with pollutant loads that may be lower than the generation they are displacing. Under current DEP rules however, each installation must go through a lengthy review. A.I.M. recommends that the DTE, in conjunction with DEP work cooperatively to develop guidelines so that similar units are subject to the same review process. A.I.M. would be happy to be part of this process. Many of these units are similar in design, technology and pollutant load, and lend themselves to standardized review. There is precedent for this at DEP. Many types of processes have presumptive standards, meaning that if the equipment meets certain pollutant control and other



standards, review is expedited. There is absolutely no reason why new installations of DG equipment could not follow this path.

One of the most critical issues involved with distributed generation is the interconnection of the generating source that ensures the safety and reliability of the transmission system. The collaboration of the utility companies on this issue is commendable, and A.I.M. encourages the Department to consider the comments of the companies as they assess the appropriate interconnection standards that strike the balance between maintaining the integrity of the system while not inhibiting the installation of distributed generation.

One important role for distributed generation involves renewable sources of energy. A.I.M. supports the Attorney General's Office in their recommendation to form a collaboration with interested parties to work closely with the Massachusetts Renewable Trust. Cost can be a barrier for renewable sources involved in distributed generation, and partnerships whenever possible, will benefit all ratepayers in the Commonwealth.

The Department recently approved an important load response pilot by Massachusetts Electric Company in Brockton. The result of this pilot should provide valuable insight into whether distributed resources in a targeted area can provide reliability benefits and further demonstrating value for utility companies long term system planning.

As the Department evaluates all of the comments and assesses the system benefits of distributed generation, A.I.M. is concerned that decisions the Department makes in the best interest of customers and the systems in Massachusetts, could be complicated by the Federal Energy Regulatory Commission (FERC). A.I.M. agrees with other commentators that some matters are best addressed at a state level. We would recommend that the Department, at the conclusion of their investigation notify FERC of their decision regarding interconnection, while keeping the New England Public Utility Commission (NECPUC) informed.

A.I.M. is grateful for the opportunity to comment, and looks forward to working with the Department in this proceeding. If you have any questions, or if I can be of further assistance, please don't hesitate to contact me.

Sincerely,

Angela M. O'Connor
Vice President of Energy Programs